

DIRECT TESTIMONY AND EXHIBITS OF

MICHAEL L. SEAMAN-HUYNH

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2020-125-E

**IN RE: APPLICATION OF DOMINION ENERGY SOUTH CAROLINA,
INCORPORATED FOR ADJUSTMENTS OF RATES AND CHARGES**

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Michael Seaman-Huynh. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Deputy Director of Energy Operations at the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Arts from the University of South Carolina in 1997. Prior to my employment with ORS, I was employed as an energy analyst with a private consulting firm. I joined ORS in 2006 as an Electric Utilities Specialist and was promoted to Senior Electric Utilities Specialist in 2010. When the Energy Regulation Department was formed in August 2015, I assumed the position of Senior Regulatory Analyst. In May 2016, the Utility Rates and Services Division was formed, and I was promoted to the position of Senior Regulatory Manager. I assumed my current position in August of 2019.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have previously testified before the Commission on numerous occasions in connection with hearings concerning annual fuel clause proceedings, annual purchased gas adjustment proceedings, general rate cases, and other various regulatory proceedings.

Q. WHAT IS THE MISSION OF THE OFFICE OF REGULATORY STAFF?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my testimony is to present ORS's findings regarding the review and examination of the of Dominion Energy South Carolina, Inc.'s ("DESC" or "Company") application for adjustments in its electric rates and charges under Docket No. 2020-125-E ("Application"). Specifically, I will focus on the following areas:

- DESC's cost of service study ("COSS");
- DESC's revenue verification and revenue requirement distribution;
- DESC's rate design and tariff changes;
- Proforma adjustments pertaining to the Company's calculation of its Facility Charge (Company Adjustment #33) and ORS's Customer Growth calculation (ORS Adjustment #43);
- ORS's recommendations regarding the Company's transmission lines constructed as part of the now-abandoned V.C. Summer Units 2 & 3 ("Transmission Assets");
- DESC's compliance with the Merger Conditions set forth in Commission Order No. 2018-804(A) ("Merger Conditions"); and,

- Impacts to Customer's Bills.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes. The review to which I testify was performed by me or under my supervision.

I. COST OF SERVICE STUDY

Q. WHAT IS THE PURPOSE OF A COST OF SERVICE STUDY?

A. The Company owns and operates an electric system which primarily provides retail electric service to residential, general service, industrial and street lighting customers, as well as wholesale customers. Each of these customer classes receives varying types of service and contributes different load characteristics to the system. The COSS allocates – or directly assigns – responsibility for the revenues, expenses and rate base items among the individual customer classes. That is, the cost responsibility for expenses and rate base items are allocated to the customer class(es) that caused the cost to be incurred. This allocation methodology is referred to as “cost causation.”

Q. PLEASE EXPLAIN THE MAJOR COMPONENTS OF A COST OF SERVICE STUDY.

A. The major components utilized in the development of a fully distributed COSS are functionalization, classification and allocation. Functionalization is the process of categorizing cost according to its function, which is either production, transmission or distribution. Classification is further dividing these costs into the type of service they provide, namely demand, energy or customer. The allocation of these costs is based upon the demand, energy or customer costs incurred by the individual classes.

Q. PLEASE DESCRIBE THE ALLOCATION METHODOLOGY USED BY THE COMPANY IN ITS COST OF SERVICE STUDY.

1 **A.** The Company filed its COSS based on the Summer Four Hour Coincident Peak
2 Demand, a methodology which it has used since 1976 and which has been approved by
3 this Commission, most recently in the Company's last general rate case in 2012 (Docket
4 No. 2012-218-E, Order No. 2012-951). Allocation factors for demand related costs are
5 two-fold. The class coincident peak ("CP") allocator was developed based on each
6 customer class's contribution to the system's peak demand, which occurred on July 18,
7 2019. This allocator was used for the allocation of production and transmission
8 investments to customer classes.

9 The class non-coincident peak ("NCP") allocator was developed based on the peak
10 demands of each customer class whenever they occurred during the test year ending
11 December 31, 2019 ("Test Year"). The NCP allocator was used for the allocation of
12 demand related distribution investments and expenses to customer classes. The CP and
13 NCP demand allocation methodology generally reflects how costs are incurred by the
14 Company to meet the demands customers place on the Company's system.

15 The energy related allocation factors were based on the annual kilowatt hour
16 ("kWh") sales for each customer class for the Test Year, adjusted for system losses. The
17 energy allocation methodology generally reflects the variable costs incurred by DESC,
18 such as fuel, to meet each customer class's energy consumption requirements placed on
19 the Company's system throughout the year.

20 The customer related allocation factors were based on the number of customers in
21 each respective class and used to allocate costs such as meters. In addition, costs such as
22 extra facilities that were identified as being attributable to a specific class of customer were
23 directly assigned to that customer class.

Q. HAS THE COMPANY MADE ANY CHANGES TO ITS COST OF SERVICE STUDY IN THIS PROCEEDING COMPARED TO ITS LAST RATE CASE?

A. No. As discussed by Company witness Kochems, DESC used the same methodology for its COSS as it has used for numerous years.¹

Q. WHAT WERE THE FINDINGS OF ORS'S REVIEW OF THE COMPANY'S COST OF SERVICE STUDY?

A. ORS concluded that, for the purposes of this Application, the methodology applied in constructing the Company's COSS is reasonable. The methodology provides a reasonable assessment and allocation of the Company's revenues, operating expenses and rate base items, which produces a rate of return by customer class.

II. REVENUE VERIFICATION AND REVENUE REQUIREMENT DISTRIBUTION

Q. DID ORS VERIFY THE REVENUE COMPUTATIONS USED IN DETERMINING THE VARIOUS TARIFF INCREASES?

A. Yes. ORS reviewed and analyzed the Test Year billing determinants for each current rate schedule approved by the Commission. ORS also confirmed the use of these determinants as applied to the proposed rates. The difference in the revenue generated by the current and proposed rates produces the revenue increase the Company has requested in this proceeding. This is a reasonable and appropriate method for determining the accuracy of the proposed rates.

Q. DURING ORS'S REVIEW AND ANALYSIS OF THE COMPANY'S REVENUE VERIFICATION CALCULATIONS WERE ANY ERRORS FOUND?

¹ Company witness Kochem's Direct Testimony, page 12.

1 **A.** Yes. Several minor errors were discovered during the review of the Company's
2 revenue calculations.

3 • In the Small General Service ("SGS") class rate design, an error was discovered
4 due to the Company incorrectly removing the current Demand Side Management
5 ("DSM") factor for one contracted customer instead of the proposed DSM factor
6 for standard SGS customers. This computation error resulted in a decrease to the
7 proposed revenue request for SGS of \$90.

8 • In the Medium General Service ("MGS") class rate design, an error was discovered
9 between the Rate 21A Test Year kilovolt-ampere ("kVA") billing units and
10 Proforma kVA billing units. Correcting the billing units decreases the proposed
11 revenue request by \$18,607.

12 • In the Lighting class rate design, a small error was found in the calculations for
13 Rate 18. Two light types were excluded from the calculations in both current and
14 proposed revenue. Including these light types causes a higher proposed revenue
15 increase for Rate 18 of \$10,368.

16 • In the Lighting class rate design, Rate 68 had an incorrect number of billing units
17 for one lighting type. Correcting the billing units causes a \$1 decrease in the
18 proposed lighting revenue.

19 • In the Lighting class rate design, Rates 69E and 69F storm damage revenue was
20 incorrectly calculated for one month instead of annualizing the amount.
21 Annualizing the Storm Damage revenue causes no change to the lighting proposed
22 revenue but reclassifies \$2,255 from base rates into storm damage revenue.

1 ORS recommends that the Company make the necessary corrections for each of these
2 errors prior to the final design of rates which incorporate the Commission Order in this
3 docket. The net effect of these changes based upon the rates submitted in the Application
4 is a decrease to the proposed request of \$8,330. ORS has incorporated these corrections
5 into Exhibit MSH-1.

6 **Q. PLEASE DISCUSS THE REVENUE REQUIREMENT AND HOW IT IS**
7 **DISTRIBUTED TO EACH CUSTOMER CLASS.**

8 **A.** The COSS was utilized to determine the proper cost allocation for each class. The
9 revenue requirement was then applied to each class to align the returns by class with the
10 overall rate of return. This is an appropriate and equitable method for allocating revenue
11 requirements and is an accepted regulatory practice consistent with previous Commission
12 orders.

13 Based on ORS's adjustments and a 8.90% return on equity ("ROE"), as
14 recommended by ORS witness Woolridge, ORS recommends a reduction to DESC's
15 proposed base rate revenue increase from \$168,497,980 (as filed in Company witness
16 Rooks' Exhibit AWR-1) to \$5,281,000, which equates to an approximate 97% reduction
17 or approximately \$163,216,980. As addressed by ORS witness Bickley, and discussed
18 later in my testimony, ORS also recommends a reduction of the Company's proposed
19 annual Storm Damage Component revenue from \$9,735,374 (as filed in Company witness
20 Rooks' Exhibit AWR-1) to \$5,000,000. The revenue changes for ORS's recommendation
21 by customer class and individual rate schedules are reflected in Exhibit MSH-1. ORS
22 recommends that the revenues generated by the billing determinants not exceed the target
23 revenue for each class as proposed in Exhibit MSH-1. Exhibit MSH-1 demonstrates the

percent changes proposed by ORS for each customer class. The retail changes in percentage by customer class are reflected on Table 1 below.

Table 1	
Customer Class	Percent of Retail Change
Residential	0.01%
Small General Service – SGS	-1.07%
Medium General Service – MGS	-0.05%
Large General Service – LGS	0.67%
Lighting	-0.70%
Overall Total Retail	-0.05%

Q. HOW DOES ORS’S DISTRIBUTION OF THE REVENUE REQUIREMENT IMPACT THE RATE OF RETURN BY CUSTOMER CLASS?

A. Exhibit MSH-2 provides the resulting rate of return by customer class, considering ORS’s proposed adjustments. In developing Exhibit MSH-2, ORS attempted to limit cross-subsidization of customer classes by employing a $\pm 10\%$ “band of reasonableness” relative to the overall retail rate of return. The returns by class are reflected on Table 2. ORS recommends that any increase granted by the Commission be allocated in a manner such that the returns by class are as equitable as practicable.

Table 2

Customer Class	Percent of Return
Residential	6.13%
Small General Service – SGS	7.60%
Medium General Service – MGS	5.90%
Large General Service – LGS	4.87%
Lighting	8.95%
Overall Total Retail	6.29%

III. RATE DESIGN AND TARIFF CHANGES

Q. HAS THE COMPANY CHANGED ITS METHODOLOGY IN HOW IT DESIGNS RATES FROM ITS LAST GENERAL RATE CASE?

A. No. The Company has allocated and distributed the revenue increase based on its COSS to each customer class, the Company adjusts individual rate schedules to produce the new revenue requirement. This is the same methodology used by the Company in previous general rate cases.

Q. HAS THE COMPANY PROPOSED MODIFICATIONS TO ITS CURRENT RATES AND TARIFFS?

A. Yes. The Company has recommended changes to the existing tariff structure, and I address each of these changes as well as ORS's recommendations for each of the proposed changes below.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED CHANGES TO ITS RESIDENTIAL BASIC FACILITIES CHARGE.

1 **A.** The Company has proposed to increase the Basic Facility Charge (“BFC”) from the
2 current charge of \$9.00/month to \$11.50/month for its residential rate schedules, an
3 increase of \$2.50/month. Company witness Rooks testifies that the actual per account costs
4 total \$19.49/month according to the COSS. However, the Company has not requested to
5 make such a significant change in the residential BFC.

6 **Q. DOES ORS HAVE RECOMMENDATIONS REGARDING THE RESIDENTIAL**
7 **BFC?**

8 **A.** Yes. ORS reviewed the Company’s proposed increase to the residential BFC
9 including the calculation for the actual per account costs. ORS also reviewed the BFCs for
10 Duke Energy Carolinas, LLC (“DEC”), Duke Energy Progress, LLC (“DEP”), Lockhart
11 Power Company (“Lockhart”), the South Carolina Public Service Authority (“Santee
12 Cooper”), and all of the electric cooperatives in South Carolina. ORS acknowledges that
13 a rate increase, especially during the COVID-19 pandemic, is difficult for electric
14 customers. However, ORS does not object to the Company’s proposed residential BFC of
15 \$11.50/month. This increase will closely align DESC’s residential BFC with DEC
16 (\$11.96/month) and DEP (\$11.78/month) and is a gradual, as opposed to drastic, increase
17 in fixed charges. ORS also does not object to the Company’s proposal to adjust the
18 residential BFC for Rate 2 - Low Use Residential Service to reflect 50% of the amount of
19 the increase attributed to the residential class BFC as proposed by the Company. This
20 would increase the BFC for Rate 2 to \$10.25 per month which is an increase of
21 \$1.25/month.

22 **Q. PLEASE DISCUSS THE COMPANY’S PROPOSED UPDATES TO ITS DSM**
23 **RIDER.**

1 **A.** The Company has proposed to update its currently approved DSM Rider rates to
2 incorporate the changes from Commission Order No. 2020-332. ORS has reviewed the
3 Company's calculations and does not object to the Company's request to update its DSM
4 rates and make the new rates effective simultaneously with the base rates approved in this
5 docket. The impact of the DSM Rider update will decrease the average monthly bill for
6 the typical residential customer on Rate 8 using 1,000 kWh ("Residential Bill") by
7 approximately \$0.62.

8 **Q. PLEASE DISCUSS THE COMPANY'S PROPOSAL TO RESTORE THE STORM**
9 **DAMAGE RIDER.**

10 **A.** The Company requests to reinstate the Storm Damage Reserve originally approved
11 in Order No. 1996-15 and discontinued in Order No. 2010-471. ORS witness Bickley
12 addresses ORS's recommendations regarding the Storm Damage Reserve, including a limit
13 to the annual collection cap to \$5 million per year and a cap on the total reserve account of
14 \$50 million. Exhibit MSH-3 incorporates the recommendations from ORS witness Bickley
15 to calculate ORS's proposed Storm Damage Rider rates. ORS used the same methodology
16 as the Company to calculate these rates.² The incorporation of the Storm Damage Rider
17 will increase a Residential Bill by approximately \$0.31; however, under ORS's proposal
18 this increase will not impact customers until the beginning of the 2021 Hurricane Season.

19 **Q. PLEASE DISCUSS THE COMPANY'S REQUEST TO DISCONTINUE SERVICE**
20 **ON RATE 21A AND MOVE THE CUSTOMERS CURRENTLY SERVED ON**
21 **RATE 21A TO OTHER RATE SCHEDULES.**

² Direct Testimony of Allen Rooks, Exhibit AWR-5.

1 **A.** Company witness Rooks testifies that the Rate 21A Experimental Program –
2 General Service Time-of-Use-Demand has not resulted in the intended changes to
3 customers' usage patterns. DESC requests to migrate customers to a different rate schedule
4 and close this experimental rate. ORS reviewed the Company's proposal, as well as the
5 previous request made in Docket No. 2009-489-E and does not object to the Company's
6 request. ORS does recommend that the Company work with each of the 104 customers
7 currently served on Rate 21A to transition each customer to the most economical and
8 appropriate rate schedule. As these customers would see a higher increase than other MGS
9 customers, ORS does not object to the two-year phase in of any resulting rate increase for
10 these 104 customers.³

11 **Q. PLEASE DISCUSS THE COMPANY'S CURRENT TAX RIDER.**

12 **A.** The Company implemented a Tax Rider in February 2019, which was approved,
13 among other regulatory and tax treatment, by the Commission in Order No. 2018-804(A).
14 The Tax Rider is applied as a 3.07% reduction to customers' billed rate schedule charges.
15 ORS does not object to the Company's request that the Tax Rider be terminated when the
16 Company's new base rates are made effective. ORS witness Kollen discusses additional
17 recommendations regarding this subject in his Direct Testimony.

18 **Q. HAS THE COMPANY PROPOSED MODIFICATIONS TO ITS CURRENTLY**
19 **APPROVED TARIFFS?**

20 **A.** Yes. Beyond the changes to the rates discussed above, the Company has
21 recommended changes to the existing tariffs. These include modifications to the
22 documentation requirements for Rate 6, updates to lighting rate schedules to move several

³ Direct Testimony of Allen Rooks, page 16.

lighting fixtures into the discontinued section of each applicable rate schedule, updates to its Rider to Residential Subdivision Streetlighting for residents in the former town of James Island, updates to its Facility Charge, and modifications to its General Terms and Conditions. I will address each of these changes as well as ORS's recommendations for each of the proposed changes.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED MODIFICATIONS TO RATE 6.

A. The Company requests to update its Rate 6 Energy Saver/Conservation Service documentation requirements and citations to ensure compliance with the latest energy efficiency and conservation standards. ORS has reviewed the Company's proposed modifications and does not object to the updates as requested.

Q. PLEASE DISCUSS THE COMPANY'S PROPOSED MODIFICATIONS TO ITS CURRENTLY APPROVED LIGHTING RATE SCHEDULES.

A. DESC requests to move several lighting fixtures into the discontinued section of its lighting rate schedules. The lighting fixtures are no longer available for purchase and the Company is not able to maintain them in its inventory. In addition, DESC requests to increase the Rider to Residential Subdivision Streetlighting for residents in the former town of James Island. ORS has reviewed the Company's requests, including Commission Order No. 98-594, and does not object to the proposed updates. The rates for Residential Subdivision Streetlighting in the former town of James Island have not been adjusted since their initial approval in Order No. 98-594, and no longer provide sufficient revenue to meet the costs of serving customers subject to this rider.

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSAL TO ADJUST ITS CURRENTLY APPROVED FACILITY CHARGE.

A. DESC proposes to reduce its currently approved Facility Charge from 2.25% to 1.75%. The Company's Facility Charge, which is separate and apart from the Basic Facilities Charge, is designed to recover the additional revenue necessary for non-standard service facilities and/or equipment for specific customers with needs of increased reliability, specialized load requirements, or other business reasons beyond what is recovered through a standard rate schedule. ORS has reviewed the Company's request and subsequent responses to discovery requests to confirm that the request to decrease the Facility Charge does not require one customer class to subsidize another. ORS confirmed the reduction will better align with the Company's carrying costs on capital. ORS does not object to the Company's request to reduce the Facility Charge from 2.25% to 1.75%.

Q. PLEASE EXPLAIN THE COMPANY'S PROPOSED CHANGES TO ITS GENERAL TERMS AND CONDITIONS?

A. The Company is proposing modifications to its General Terms and Conditions to address safety, reliability, compliance with Commission Rules and Regulations, liability and risk management, clarifications, and grammatical changes.

Q. DOES ORS HAVE A RECOMMENDATION TO MODIFY THE COMPANY'S PROPOSED CHANGE TO THE DEPOSIT SECTION OF THE TERMS AND CONDITIONS?

A. Yes. ORS recommends a change to the Deposit section on page 7, Section IV.D.(5). of the Company's proposed Terms and Conditions to comport with the South Carolina Code of State Regulations, Chapter 103-331.A.5, which states:

1 A non-residential customer or its parent company is experiencing financial
2 difficulties as determined by an electrical utility using its respective internal
3 credit risk rating criteria (even if the customer has not yet defaulted or caused a
4 default on a payment obligation to the utility) and has not negotiated an
5 alternative payment plan designed to mitigate the utility's risk of loss. The
6 electrical utility may use a variety of security options other than the payment of
7 a two-month cash deposit, including but not limited to accelerated payment
8 plans, surety bonds, bank letters of credit or some combination of the above.
9 **All electrical utilities engaging in negotiated payment solutions must**
10 **provide a copy of their respective internal credit risk rating criteria upon**
11 **request by the Office of Regulatory Staff.** - (emphasis added)

12 ORS recommends the Company be required to include the entire regulation, word-
13 for-word, in its Terms and Conditions. The sentence "[a]ll electrical utilities engaging in
14 negotiated payment solutions must provide a copy of their respective internal credit risk
15 rating criteria upon request by the Office of Regulatory Staff" was excluded from the
16 change proposed by DESC.

17 **Q. DOES ORS HAVE A RECOMMENDATION RELATED TO THE COMPANY'S**
18 **PROPOSED CHANGES TO SECTION V. COMPANY'S LIABILITY?**

19 **A.** Yes. The substantial modifications proposed by the Company have the potential to
20 be harmful to customers and others that may be impacted and, as a result, could impose a
21 harmful and unfair burden on customers. The changes proposed by the Company to limit
22 the Company's liability have legal implications that may not be understood by DESC's
23 customers. In addition, the Company offered no data in the Application or Direct
24 Testimony to support its request. Therefore, ORS recommends the modifications requested
25 by DESC to Section V. Company's Liability be denied.

26 **IV. PRO FORMA ADJUSTMENTS**

Q. PLEASE DISCUSS THE COMPANY'S PRO FORMA ADJUSTMENT RESULTING FROM ITS PROPOSAL TO ADJUST ITS CURRENTLY APPROVED FACILITY CHARGE.

A. The adjustment resulting from the change to the Company's Facility Charge decreases Test Year revenue by \$501,586. ORS reviewed the Company's adjustment and supporting calculations and found them to be reasonable. This information is reflected in ORS witness Sullivan's Adjustment #33.

Q. PLEASE EXPLAIN ORS'S CUSTOMER GROWTH CALCULATION INCLUDING THE RESULTING CUSTOMER GROWTH FACTOR FOR THE COMPANY.

A. ORS found an increase in the number of DESC customers when comparing the end of the Test Year and the average number of customers during the Test Year. To capture the additional revenues and expenses generated by customers added to the Company's system, ORS included an adjustment for customer growth. The customer growth factor is calculated by taking the difference between the total number of customers at the end of the Test Year and the average number of customers during the year and dividing the result by the average number of customers during the Test Year. As shown in Exhibit MSH-4, this methodology yields a retail customer growth factor of 0.6329% for the Company. This customer growth factor is reflected in ORS witness Sullivan's Adjustment #43.

V. TRANSMISSION ASSETS

Q. WHAT ARE THE TRANSMISSION ASSETS?

A. The "Transmission Assets" consist of the following transmission lines, along with the capital items associated with these lines:

- VCS1 - Killian 230 kV line
- VCS2 - Lake Murray #2 230 kV line
- VCS2 - Orangeburg East 230 kV line
- Orangeburg East - St. George 230 kV line
- VCS2 - Saluda River 230 kV line
- Saluda River - St. George 230 kV line

Q. PLEASE DISCUSS THE PURPOSE FOR BUILDING THESE TRANSMISSION ASSETS.

A. On May 30, 2008, SCE&G filed a Combined Application for Certificate of Environmental Compatibility and Public Convenience and Necessity (“CPCN”) for a Base Load Review Order for the construction and operation of V.C. Summer Units 2 & 3 with the Commission. The Commission granted the certificate to SCE&G on March 2, 2009 in Order 2009-104(A). To support the V.C. Summer Units 2 & 3, SCE&G conducted a comprehensive analysis of its transmission system to ascertain its sufficiency to integrate the anticipated generation from these units. From its analyses, SCE&G determined that new transmission lines were the most appropriate solution in transferring the power from V.C. Summer Units 2 & 3 to the Lexington, Blythewood, and Charleston load centers. Accordingly, SCE&G requested CPCNs for the Transmission Assets in Docket Nos. 2011-325-E and 2012-225-E. The Commission approved the construction of these Transmission Assets and granted SCE&G CPCNs in Commission Order Nos. 2011-978 and 2012-730, respectively.

Q. WHAT IS THE TOTAL AMOUNT ATTRIBUTED TO THE TRANSMISSION ASSETS FOR WHICH DESC REQUESTS RECOVERY IN THIS PROCEEDING?

A. Approximately \$322 million.⁴

Q. PLEASE IDENTIFY THE AVERAGE CAPACITY IN PERCENTAGES FLOWING THROUGH EACH OF THESE LINES DURING THE TEST YEAR.

A. Table 3 below demonstrates the average capacity for each of the Transmission Assets during the Test Year. These average capacity percentages are calculated using hourly data from every hour of the Test Year. They show, on average, the utilization of each line during the Test Year.

Table 3⁵	
Transmission Line	Average Capacity during Test Year
VCS1 - Killian 230 kV Line	9%
VCS2 - Lake Murray #2 230 kV Line	10%
VCS2 - Orangeburg East 230 kV Line	7%
Orangeburg East - St. George 230 kV Line	9%
VCS2 - Saluda River 230 kV Line	11%
Saluda River - St. George 230 kV Line	7%

Q. PLEASE IDENTIFY THE MAXIMUM CAPACITY IN PERCENTAGES FLOWING THROUGH EACH OF THESE LINES DURING THE REVIEW PERIOD.

A. Table 4 below shows the maximum capacity for each of the Transmission Assets during the Test Year. Like the average capacity percentages shown in Table 1, these maximum capacity percentages are derived from hourly data from the Test Year. This data shows the maximum utilization of each Transmission Asset for the highest used one-hour

⁴ Commission Order No. 2018-804(A), pages 53, 57, and 109.

⁵ Response to ORS Request 5-86.

period during the Test Year. Table 4 shows that, during the Test Year, the Transmission Assets were under-utilized.

Table 4 ⁶	
Transmission Line	Maximum Capacity during Test Year
VCS1 - Killian 230 kV Line	20%
VCS2 - Lake Murray #2 230 kV Line	22%
VCS2 - Orangeburg East 230 kV Line	21%
Orangeburg East - St. George 230 kV Line	26%
VCS2 - Saluda River 230 kV Line	25%
Saluda River - St. George 230 kV Line	23%

Q. PLEASE IDENTIFY THE MAXIMUM PROJECTED LOAD CAPACITY IN PERCENTAGE FOR EACH OF THE TRANSMISSION ASSETS.

A. Tables 5 and 6 below provide the projected maximum capacity for each of the Transmission Assets for base case and contingency scenarios, respectively. These tables show the Company's anticipated maximum utilization of each line for the highest used one-hour period for each of the years listed for two different scenarios. Table 5 shows the percentages for the Company's anticipated use under normal operations, while Table 6 shows the maximum projected usage for each Transmission Asset when modeling NERC-prescribed contingency scenarios. ORS requested DESC provide the projected maximum capacity for the years 2035, 2040, and 2045 as well as the years listed below. DESC informed ORS that it does not have this information.⁷ The data provided by DESC demonstrates that the Company anticipates the Transmission Assets will continue to be under-utilized until the year 2030 at a minimum.

⁶ Response to ORS Request 5-86.

⁷ Response to ORS Request 10-18.

Table 5⁸

Transmission Line	2021	2022	2023	2024	2025	2030
VCS1 - Killian 230 kV Line	12.3%	11.5%	11.4%	11.2%	11.6%	11.9%
VCS2 - Lake Murray #2 230 kV Line	14.3%	14.0%	13.1%	12.9%	13.9%	15.1%
VCS2 - Orangeburg East 230 kV Line	5.4%	5.2%	5.2%	5.3%	9.2%	10.4%
Orangeburg East - St. George 230 kV Line	12.9%	13.1%	13.4%	13.7%	17.7%	21.0%
VCS2 - Saluda River 230 kV Line	15.3%	14.5%	13.9%	13.7%	15.4%	16.3%
Saluda River - St. George 230 kV Line	4.3%	5.1%	5.5%	5.6%	9.9%	11.3%

Table 6⁹

Transmission Line	2021	2022	2023	2024	2025	2030
VCS1 - Killian 230 kV Line	39.6%	39.5%	39.4%	39.4%	38.0%	37.5%
VCS2 - Lake Murray #2 230 kV Line	31.1%	30.0%	28.0%	29.5%	29.5%	30.8%
VCS2 - Orangeburg East 230 kV Line	13.4%	13.8%	13.9%	18.7%	18.7%	19.9%
Orangeburg East - St. George 230 kV Line	27.4%	27.1%	26.7%	27.5%	33.3%	37.1%
VCS2 - Saluda River 230 kV Line	30.6%	29.2%	27.5%	26.8%	29.0%	30.4%
Saluda River - St. George 230 kV Line	14.0%	13.7%	14.2%	14.6%	20.1%	22.8%

Q. DID THE COMPANY PROVIDE THE MAXIMUM PROJECTED LOAD CAPACITY IN PERCENTAGES FOR EACH OF THE TRANSMISSION ASSETS AT THE TIME THE DESIGN OF THE TRANSMISSION ASSETS WERE FINALIZED?

A. No. Through discovery, the Company states that it does not have this information.¹⁰

Q. DID THE COMPANY PROVIDE THE DATE WHEN THE TRANSMISSION ASSETS WILL BE UTILIZED TO THE MAXIMUM CAPACITY?

⁸ Response to ORS Request 10-18.

⁹ Response to ORS Request 10-18.

¹⁰ Responses to ORS Requests 11-19 and 11-20.

1 A. No. Through discovery, the Company states that it does not have this
2 information.¹¹

3 **Q. ARE THE TRANSMISSION ASSETS BEING FULLY UTILIZED?**

4 A. No. The information provided by DESC indicates the Transmission Assets are not
5 fully utilized and the Company did not project a date when the Transmission Assets would
6 be fully utilized. The Company's projections indicate the Transmission Assets will be less
7 than 50% utilized in 2030.

8 **Q. PLEASE EXPLAIN ORS'S CONCERNS RELATED TO THE SPECIFIC**
9 **REGULATORY TREATMENT FOR THE TRANSMISSION ASSETS BUILT BY**
10 **DESC TO SUPPORT THE NOW-ABANDONED NUCLEAR PLANTS.**

11 A. The recovery of under-utilized Transmission Assets should be carefully considered
12 by the Commission to determine a number of critical issues: 1) are the Transmission Assets
13 reasonably necessary and presently dedicated to the provision of electric service for
14 DESC's customers; 2) are the Transmission Assets fully and completely employed for the
15 public benefit and convenience of DESC's customers; 3) are the Transmission Assets "used
16 and useful" to provide electric service to today's DESC's customers; 4) how much and
17 when should DESC's customers pay for the Transmission Assets; and 5) if the
18 Transmission Assets should be included in DESC's rate base, the timing of inclusion and
19 how much return should be authorized.

20 The decision surrounding the cost recovery of the Transmission Assets should be
21 evaluated to ensure that the generation of customers who benefit from the Transmission
22 Assets pay an equitable share commensurate with the benefit the customer receives and

¹¹ Response to ORS Request 11-21.

1 that customers do not bear a disproportionate amount of the risk associated with DESC's
2 management decisions to complete construction of the Transmission Assets in light of the
3 abandonment of construction of the nuclear plants. The Commission must consider
4 whether it is just and reasonable to require the current generation of DESC's customers to
5 pay for 100% of Transmission Assets of which, any potential future benefit is only
6 speculative. In ORS direct testimony, no specific quantification for under-utilization has
7 been proposed by ORS at this time. ORS recommends the Commission consider a cost-
8 sharing or phase-in approach to resolve the conflicts related to the Transmission Assets and
9 cost recovery.

10 VI. MERGER CONDITIONS

11 **Q. HAS ORS REVIEWED THE COMPANY'S COMPLIANCE WITH THE MERGER**
12 **CONDITIONS SET FORTH IN COMMISSION ORDER NO. 2018-804(A)?**

13 **A.** Yes. ORS has reviewed the Merger Conditions set by the Commission in Order
14 No. 2018-804(A) and conducted an analysis of the Company's compliance with the Merger
15 Conditions. Exhibit MSH-5 provides the results of ORS's analysis. ORS's analysis found
16 that the Company was generally in compliance with the majority of Merger Conditions.
17 ORS witness Kollen further discusses this subject in his Direct Testimony.

18 VII. IMPACTS TO CUSTOMER'S BILLS

19 **Q. PLEASE EXPLAIN THE IMPACT OF THE COMPANY'S PROPOSED RATES**
20 **ON THE TYPICAL RESIDENTIAL CUSTOMER'S MONTHLY BILL.**

21 **A.** ORS analyzed the impact to residential customer bills. Exhibit MSH-6 shows the
22 Residential Bill for DESC's currently approved rates and the rates proposed in this
23 proceeding. For information purposes, ORS provided the same information for DEC, DEP,

Lockhart, Santee Cooper, and the most recent U.S. Energy Information Administration (“EIA”) data for the South Atlantic region of the United States.

Q. AFTER INCORPORATING ORS’S ADJUSTMENTS AND RECOMMENDATIONS INTO THE COMPANY’S APPLICATION, WHAT IS THE NET EFFECT ON THE TYPICAL MONTHLY BILL FOR A TYPICAL RESIDENTIAL CUSTOMER?

A. The average monthly bill for the typical residential customer on Rate 8 using 1,000 kWh (“Residential Bill”) will increase by approximately \$0.01 from \$122.31 to \$122.32. This includes both the DSM Rider decrease of \$0.62 and the Storm Damage Rider increase of \$0.31. Excluding the DSM Rider decrease and Storm Damage Rider increase, a Residential Bill will increase from \$122.31 to \$122.63, an increase of \$0.32.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources become available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

Dominion Energy South Carolina, Inc.

Exhibit MSH-1

Proposed Revenues

Docket No. 2020-125-E

Customer Class	Present Revenues Annualized	ORS Proposed Base Rate Increase (\$)	ORS Proposed Storm Damage Increase (\$)	DESC Proposed DSM/EE Rate Decrease (\$)	ORS Proposed Net Revenue Increase (\$)	ORS Proposed Net Revenue Increase (%)
	(a)	(b)	(c)	(d)	(b)+(c)+(d)	(e)/(a)
Residential Service	\$ 1,009,033,061	\$ 2,601,936	\$ 2,576,500	\$ (5,117,630)	\$ 60,806	0.01%
Small General Service	\$ 425,981,612	\$ (838,662)	\$ 984,500	\$ (4,695,399)	\$ (4,549,561)	-1.07%
Medium General Service	\$ 190,285,450	\$ 661,715	\$ 393,500	\$ (1,151,097)	\$ (95,882)	-0.05%
Large General Service	\$ 470,207,030	\$ 2,819,510	\$ 662,000	\$ (331,284)	\$ 3,150,226	0.67%
Lighting	\$ 59,882,186	\$ 36,500	\$ 383,500	\$ -	\$ 420,000	0.70%
Total Retail	\$ 2,054,389,551	\$ 5,000,187	\$ 5,000,000	\$ (1,014,562)	\$ (1,014,410)	-0.05%

Dominion Energy South Carolina, Inc.

Rate of Return

Docket No. 2020-125-E

Customer Class	Before Increase				After Proposed Increase			
	Company Pro Forma Ratebase	Company Pro Forma Return	ROR	Relationship to Parity	ORS Pro Forma Ratebase	ORS Pro Forma Return	ROR	Relationship to Parity
Residential Service	\$ 2,841,517	\$ 170,326	5.99%	97%	\$ 2,841,517	\$ 174,217	6.13%	97%
Small General Service	\$ 1,139,428	\$ 86,481	7.59%	123%	\$ 1,139,428	\$ 86,590	7.60%	121%
Medium General Service	\$ 504,697	\$ 28,984	5.74%	93%	\$ 504,697	\$ 29,777	5.90%	94%
Large General Service	\$ 1,026,940	\$ 47,350	4.61%	75%	\$ 1,026,940	\$ 49,966	4.87%	77%
Lighting	\$ 236,069	\$ 20,815	8.82%	143%	\$ 236,069	\$ 21,130	8.95%	142%
Total Retail	\$ 5,748,651	\$ 353,957	6.16%	100%	\$ 5,748,651	\$ 361,680	6.29%	100%

Dominion Energy South Carolina, Inc.

Derivation of Storm Damage Component Factors

Docket No. 2020-125-E

Annual Collection Cap	\$ 5,000,000							
	Customer Class	Allocation to Classes				Assignment of		Storm Damage Comp. Factors per kWh
		Distribution Gross Plant ¹ (000's)	Transmission Gross Plant ¹ (000's)	Total T&D Gross Plant ¹ (000's)	Retail Allocation	Revenue Requirement	kWh Sales per Rate Design	
Residential	\$ 1,888,572	\$ 869,406	\$ 2,757,978	51.53%	\$ 2,576,500	8,254,241,544	\$ 0.00031	
Small General Service	\$ 681,544	\$ 372,523	\$ 1,054,067	19.69%	\$ 984,500	3,667,869,007	\$ 0.00027	
Medium General Service	\$ 248,247	\$ 173,060	\$ 421,307	7.87%	\$ 393,500	2,136,289,288	\$ 0.00018	
Large General Service	\$ 281,238	\$ 427,519	\$ 708,757	13.24%	\$ 662,000	7,695,297,231	\$ 0.00009	
Street Lighting	\$ 408,691	\$ 1,855	\$ 410,546	7.67%	\$ 383,500	293,442,300	\$ 0.00131	
Total	\$ 3,508,292	\$ 1,844,363	\$ 5,352,655	100.00%	\$ 5,000,000	22,047,139,370		

¹ From Direct Testimony of Allen Rooks, Exhibit AWR-5.

Dominion Energy South Carolina, Inc.
Customer Growth Calculation
Docket No. 2020-125-E

Exhibit MSH-4

<u>Date</u>	<u># of Customers</u>
1/1/2019	970,630
12/31/2019	982,995
Average	976,813
Growth Factor	0.6329%

Response to ORS Request 2-83.

Dominion Energy South Carolina, Inc.
Review of Merger Conditions in Order No. 2018-804(A)
Docket No. 2020-125-E

Category	Conditions	Status of Conditions	Status of Compliance as of ORS Direct Testimony
1 Future Base Rate Case	Except for rate adjustments for fuel and environmental costs, demand side management costs, and other rates routinely adjusted on an annual or biannual basis, SCE&G will freeze retail electric base rates at current levels until January 1, 2021, with its first post-merger rate case to be filed in 2020.	Complete	In compliance
2 NND Cost Recovery Exclusions	SCE&G will exclude from rate base and cost of service those costs that are associated with funds in the “Rabbi Trust” for senior management payments; senior management bonus payments charged to the NND Project; costs associated with the Bechtel report; and consulting payments made to former SCANA CEO William Timmerman. SCE&G will also exclude from rate base and cost of service all litigation expenses associated with the NND Project. SCE&G shall not seek recovery of these legal or consulting expenses, that either have been or may incurred in the future, from ratepayers.	Ongoing	In compliance
3 Merger Acquisition Premium, Goodwill, Transaction, and Transition Costs	SCE&G will not seek recovery of any acquisition premium costs, transition costs, or transaction costs associated with the combination. Dominion Energy will not record any portion of the purchase price allocation adjustments associated with the merger on SCANA or SCE&G’s books.	Ongoing	Partial ¹
4 Cost of New Generating Capacity	The approximately \$180 million initial capital investment in the Columbia Energy Center will be excluded from rate base and rate recovery.	Complete	In compliance
5 Affiliate Transactions	SCE&G shall make a filing with the Commission to seek approval for any proposed structural reorganization. Dominion Energy, Inc., SCE&G, and its affiliates shall abide by standards identified in Order No. 2018-804 Order Exhibit 1 regarding affiliate transactions as depicted in the NARUC’s Guidelines for Cost Allocations and Affiliate Transactions unless as otherwise directed by the Commission.	Ongoing	In compliance
6 Business Operations	<p>The Commission orders the following conditions regarding operation of SCE&G’s business activities:</p> <p>(1) absent Commission approval, Dominion Energy shall maintain SCE&G’s headquarters in Cayce, South Carolina;</p> <p>(2) The President of SCE&G will continue to be a South Carolina resident with his/her primary office in Cayce, South Carolina. That position will report to the CEO of the Dominion Energy Southeast Energy Group;</p> <p>(3) Dominion Energy’s board of directors shall take all necessary action, as soon as practical after the effective time of the merger, to appoint a mutually agreeable current member of the SCANA Board or SCANA’s executive management team as a director on Dominion Energy’s board of directors;</p> <p>(4) Dominion Energy will manage SCE&G from an operations standpoint as a separate regional business under Dominion Energy, and SCE&G will retain local responsibility for making decisions to achieve company objectives;</p> <p>(5) Dominion Energy will not change the legal structure of SCE&G without prior authorization from the Commission, and SCE&G will continue to exist as a separate legal entity after the merger;</p> <p>(6) the Public Service Commission of South Carolina will continue to exercise its regulatory authority over SCE&G in the same way it currently does, and Dominion Energy will ensure local access to books and records of the Company as well as its officers and employees;</p> <p>(7) Dominion Energy and SCE&G commit to communicate all material information within a reasonable period of time with ORS and the Commission and to be transparent with regard to all non- privileged information, and subject to appropriate protections for confidential and proprietary information; and</p> <p>(8) within three months of the merger, Dominion and SCE&G shall adopt and agree to adhere to a Code of Conduct developed in collaboration with the ORS and approved by the Commission.</p>	Ongoing	In compliance

Dominion Energy South Carolina, Inc.
Review of Merger Conditions in Order No. 2018-804(A)
Docket No. 2020-125-E

Category	Conditions	Status of Conditions	Status of Compliance as of ORS Direct Testimony
Employee Matters	Dominion Energy will maintain compensation levels for employees of SCANA and its subsidiaries, including SCE&G, until at least January 1, 2020. However, for non-executive employees, Dominion Energy will extend this compensation commitment along with a pledge to provide severance or base pay continuation until at least July 1, 2020. Dominion Energy will give SCANA and SCE&G employees fair consideration for other employment and promotion opportunities within the larger Dominion Energy organization, both inside and outside South Carolina, to the extent any such employment positions are re-aligned, reduced, or eliminated in the future as a result of the merger. Finally, Dominion Energy will seek to minimize reductions in local employment by allowing some Dominion Energy Services, Inc. employees supporting shared and common services functions and activities to be located in Cayce where it makes economic and practical sense to do so, and shall report on the progress in this regard on a twice-a-year basis for the next three years.	Ongoing	In compliance
Service Quality	Dominion Energy shall maintain SCE&G’s customer service at no less than current levels. Dominion Energy will also implement conditions to monitor service and performance following the closing of the merger to ensure levels do not degrade for reasons attributable to the merger. This will include providing quarterly SAIDI (“System Average Interruption Duration Index”) and SAIFI (“System Average Interruption Frequency Index”) reporting, as well as quarterly Call Center Performance Metrics, all to begin no later than six months after the close of the merger. For SCE&G’s gas operations, SCE&G will file quarterly service quality reports. All the foregoing service quality reports will be reviewed twice a year in a Commission docket, with the first review taking place two years after merger close, and any degradation in service levels will be accompanied by a SCE&G plan for addressing it. Dominion Energy will also maintain SCE&G’s environmental monitoring and maintenance programs at or above current levels.	Ongoing	In compliance
Financial	Dominion Energy commits to provide equity financing, as needed, to SCE&G with the intent of maintaining SCE&G’s capital structure and to maintaining credit metrics that are supportive of strong investment-grade credit ratings for SCE&G. Except for the return on equity and cost of debt approved by the Commission for NND cost recovery for the twenty- year recovery period, the ROE for SCE&G’s base electric business should be determined based on past practice and precedent to determine a fair and reasonable return. To the extent any long-term debt issued by SCE&G following merger close is more expensive as a result of the merger than similar average long-term debt, the cost of such issuances shall be reduced to that average for purposes of calculating overall cost of debt in the first base rate proceeding following merger closing. This constitutes reasonable and adequate protection for SCE&G customers against any adverse impacts of the merger.	Ongoing	In compliance
Community	Dominion Energy will increase SCANA’s historical level of corporate contributions to charities identified by SCANA’s leadership by \$1,000,000 per year for at least five years after the closing of the merger and will maintain historical levels of community involvement in SCANA’s current operation areas. This Commission strongly encourages Dominion to consider implementing a similar program to its Energy Share Program and other low-income programs such as the co-op’s Round-Up programs for its South Carolina ratepayers.	Ongoing	In compliance

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Dominion Energy South Carolina, Inc.

Review of Merger Conditions in Order No. 2018-804(A)

Docket No. 2020-125-E

Category	Conditions	Status of Conditions	Status of Compliance as of ORS Direct Testimony
11 Merger Savings and Rate Case Stay-out /Comeback	SCE&G will create a regulatory liability of \$2.45 million representing a refund to natural gas customers of 2017 revenues and will subsequently provide such a refund to its natural gas customers as bill credits in 2019, 2020, and 2021. In order to ensure actual merger savings are reflected in electric rates on a timely basis, SCE&G will file an electric general rate case no earlier than May 1, 2020, based on a test year ended December 31, 2019, updated for known and measurable merger savings as of September 30, 2020, for rates effective January 1, 2021.	Ongoing	In compliance
12 SCE&G Commitment to RFP Process Regarding Natural Gas Transmission Capacity	SCE&G will not contract with an interstate pipeline for natural gas transmission capacity of 100,000 dekatherms per day or more unless or until it has issued a request for proposals to obtain such capacity and considers the proposals in good faith. SCE&G will file confidential reports with the Commission within thirty days of the conclusion of this process. Such an arrangement must be with the least cost provider of such capacity, unless the Commission has otherwise approved the contract.	Ongoing	In compliance
13 Department of Defense	SCE&G agrees that, to the extent any cash refund is distributed to customers as part of the merger, the Department of Defense and all other Federal Executive Agencies will have an option to select whether they receive the refund of rates as a check or as a credit on their billing invoice.	Complete	In compliance
14 Customer Education Plan	Within 30 days of closing of the Merger, and in consultation with ORS, Dominion Energy and SCE&G will develop a program to educate SCE&G customers about the benefits and implementation of any Merger Benefits Plan approved by the Commission, and any such program shall be filed with the Commission prior to its implementation.	Complete	In compliance

¹ See Direct Tstimony and Exhibits of ORS witness Lane Kollen.

Dominion Energy South Carolina, Inc.
Residential Bill Comparison
Docket No. 2020-125-E

Exhibit MSH-6

	Average Bill ¹
DESC (Rate 8) (Current)	\$122.31
DESC (Rate 8) (Company Proposed)	\$131.99
DESC (Rate 8) (ORS Proposed)	\$122.32
Duke Energy Carolinas (Schedule RS)	\$115.33
Duke Energy Progress (Schedule RES)	\$120.30
Lockhart Power Company (Schedule R) ²	\$134.45
Santee Cooper (Schedule RG) ³	\$125.87
South Atlantic 2019 Average (from EIA) ⁴	\$130.04

¹ Average bill based on 1,000 kWh monthly usage.

² Lockhart Rate does not include monthly changes to Schedule O.

³ Santee Cooper bill does not include non-public changes to FAC-17, DSC-17.

⁴ https://www.eia.gov/electricity/sales_revenue_price/pdf/table5_a.pdf